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# COUNTY OF LOS ANGELES

OFFICE OF THE TREASURER AND TAX COLLECTOR

HALL OF ADMINISTRATION

225 NORTH HILL STREET

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LOS ANGELES, CALIFORNIA 90051

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H. B. ALVORD

TREASURER AND TAX COLLECTOR

B. J. NUREMBERG

CHIEF DEPUTY

March 18, 1976

To: Harry Hufford  
Chief Administrative Officer

Attn: Harry Johnson

From: H. B. Alvord, County Treasurer  
Mark Bloodgood, Auditor-Controller

Re: SCRTD Study - Financing  
(Sunset Coast Line)

*H.B. Alvord*  
*MA*

In response to your request we have reviewed the Sunset Coast Line Rapid Transit proposal and an analysis thereof on the financial aspects of the proposal prepared by Stanford Research Institute (SRI). We have also read the reaction of reviewers from the City of Los Angeles, De Leuw, Cather and Company, and the office of Legislative Analyst A. Alan Post.

In view of the failure of the State Legislature to pass enabling legislation, Supervisor Ward responded with a substitute proposal outlined in his letter of March 16, 1976, to the Rapid Transit District Board of Directors. It is this latter proposal to which we should now address ourselves with comments from our offices relative to financial feasibility.

Supervisor Ward presents four alternatives to the original proposal, one involving full bond usage; a second and a third with a pay as you go approach, and a fourth with a combination of pay as you go and bonding. In all alternatives the actual miles of the system have been shortened from the original proposal.

We believe that a project of the scaled down size could be handled financially over the time spans allotted in each of the substitute proposals. It must be noted, however, that the bonded indebtedness remaining at the conclusion of construction of Proposal A is 5.918 billion dollars, which is 136% of our combined total of all bonded indebtedness (\$4,322,000,000 as of 12-32-75) for Los Angeles County,

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Los Angeles County Special Districts -- including Los Angeles Flood Control and Metropolitan Water District -- all cities in L. A. County, all school districts in L. A. County, and all revenue bond indebtedness in L. A. County. This latter fact gives some indication of the vast magnitude of even the scaled down proposal.

There is still a distinct possibility of bond market saturation, even allowing for growth in inflation of the future, for a project which would be going to the bond market over so long a period for so much money. Again, the prodigious financial, engineering, construction, and operational problems for decades to come cannot be over-emphasized.

In discussing the proposal with municipal bond experts of large banks, the primary concern with the proposal is one of saturation of the market with debt from one source for one project. Since borrowing for this project would compete in the market for borrowings for schools, hospitals, Flood Control, and other capital projects, the question is one of applying priorities among the various projects which compete for the County's and the State's large but none the less limited resources. We share the concern of other consultants that an excess of borrowing demand by SCRTD would have an adverse impact on the borrowing prospects of Los Angeles County entities, school districts, and special districts.

It must be noted also that even the limited borrowing combined with pay as you go as indicated in Proposal D would result at the end of the project with a total accumulated bonded debt of \$4,030,000,000, which is close to the total of all Los Angeles County, Special District, and School District bonded indebtedness as of the present time.

For that reason our preference of the several approaches suggested by Supervisor Ward would be either a combination of modest bonding with pay as you go, or full pay as you go, -- probably the former (but with slightly less reliance on borrowing than is indicated in Proposal D) -- in order to stretch out the tax burden over a longer period of time. This would result in a more balanced application of bonded indebtedness among the various projects in which the County and the County School Districts and the County's cities become involved.

Possibly the voters could be given a choice of the three approaches as suggested by Supervisor Ward:

- (1) Full bonding;
- (2) A combination of modest bonding with pay as you go;
- (3) Full pay as you go.

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